

ORIGINAL

MEMORANDUM



0000136136

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 26, 2012

RE: ARIZONA WATER COMPANY - REQUEST FOR EXTENSION OF COMPLIANCE
DEADLINE (DOCKET NO. W-01445A-05-0469)

RECEIVED

2012 APR 26 A 9:46

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR 26 2012

DOCKETED BY

In Decision No. 68607, dated March 23, 2006, the Arizona Corporation Commission ("Commission") approved the application of Arizona Water Company ("Arizona Water" or "Company") for extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service to portions of Pinal County, Arizona. This decision approved an extension area which was divided into a number of parcels, referred to as Parcels 1, 3, 4, 5, 6, 7 and 8.

Decision No. 68607 ordered Arizona Water to file the following compliance filings:

"... a copy of the fully executed main extension agreements for water facilities for each parcel within the extension area, except for Parcel 1, within two years of this Decision."

"... a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval to Construct for the facilities needed to serve each of the Parcels within the requested areas, except for Parcel 1, within two years of this Decision."

"... a copy of one developer's Certificates of Assured Water Supply for each of the Parcels within the requested areas, except for Parcel 1, stating that there is adequate water supply, where applicable or when required by statute, within two years of this Decision."

Based on the Commission ordered two year timeframe, the original due date for compliance with these requirements was on or about March 23, 2008.

Decision No. 68607 did not require compliance for Parcel 1 as the CC&N was granted initially without further requirement. As for Parcel 8, a franchise was required via an order preliminary but the Company did not meet the one year deadline and the CC&N for Parcel 8 became null and void. On February 12, 2007, the Company filed all of the required compliance items relating to Parcel 6. Therefore, the remaining compliance requirements apply to Parcels 3, 4, 5 and 7.

The Company has received previous extensions of time on the provision of the MXA, ATC and CAWS for Parcels 3, 4, 5, and 7. On March 11, 2008, the Commission approved the Company's request for an extension of those timelines from March 23, 2008 until March 23, 2010. On January 26, 2010, the Commission issued Decision No. 71475 which further extended the deadline for those items until March 23, 2012.

On October 5, 2011, Arizona Water docketed a motion titled "request for additional time for compliance filing". The filing requests that the Commission extend the deadline for provision of the MXA, ATC and CAWS for Parcels 3, 4, 5 and 7 from the current date of March 23, 2012 until March 23, 2014. In support of the request, the Company primarily outlines the difficult development landscape that has existed in Arizona:

"The deep recession and real estate crash over the past several years (essentially the entire time that the Decision has been in effect) are extraordinary circumstances which have not been seen since the Great Depression. The severe economic downturn that has battered the Arizona real estate market persists, and continues to delay the development of residential and mixed-use development in Arizona, including Pinal County."

Arizona Water also provides that it has obtained the approval of the Arizona Department of Water Resources ("ADWR") for a physical availability determination ("PAD") for the Company's Pinal Valley system (which includes parcels 3, 4, 5 and 7). The Company describes the PAD as "an important precursor to, and a necessary requirement for obtaining a CAWS" and states that, in conjunction with ADEQ's approval, the combination represents sufficient compliance on the CAWS condition reflected in the decision. Further, the Company is currently providing water service to 90 customers in the approved extension area and has provided letters from owners in Parcels 3, 4, 5 and 7 reiterating their request for service and their intent to develop within the approximate timeframe of the requested Company extension.

In this case, the Company application documents the multi-parcel nature of this CC&N extension followed by the multi-nature of the associated compliance requirements. It further documents that the period for completion of these items was characterized by a reduction in development which was followed by a severe economic downturn. Staff considers the approval of the PAD to represent necessary progress toward Arizona Water's ultimate compliance with the CAWS requirement. Based on all of the above, Staff does not object to Arizona Water's request for further extension of time in this matter. Staff therefore recommends that the requirement for provision of the required MXA, ATC and CAWS for parcels 3, 4, 5 and 7 be extended until March 23, 2014.

SMO:BKB:lhbm

Originator: Brian K. Bozzo

SERVICE LIST FOR:
DOCKET NO.

ARIZONA WATER COMPANY
W-01445A-05-0469

Mr. Robert W. Geake
Vice President and General Counsel
Arizona Water Company
Post Office Box 29006
Phoenix, Arizona 85038-9006

Mr. Thomas H. Campbell
Mr. Michael T. Hallam
Lewis and Roca, LLP
40 North Central Avenue
Phoenix, Arizona 85004

Mr. Garye L. Vasquez
Cooper, Vasquez & Rueter, LLP
Post Office Box 15005
Casa Grande, Arizona 85230-5005